

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2003-77-C - ORDER NO. 2004-503
OCTOBER 18, 2004

IN RE: Application of BellSouth Public Communications, Inc. for Approval to Divest Itself of its Assets)))))	ORDER GRANTING REQUEST FOR EXPEDITED REVIEW AND APPROVAL OF APPLICATION
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On March 11, 2003, BellSouth Public Communications, Inc. ("BSPC") filed an Application for approval to divest itself of its assets. BSPC by Motion filed December 11, 2003, moved for expedited review of its Application. This matter is now before the Commission for decision on the Motion for Expedited Review and if granted, for a decision on the Application itself.

BSPC's Motion for Expedited Review is made on the following grounds:

1. As requested by the Commission, all parties to this docket have participated in voluntary mediation led by the Commission-appointed mediator. This mediation process was successful, and following the mediation process, The Women's Shelter has filed a Motion to Withdraw Pleadings from this docket. Further, no party opposes the Commission's granting BSPC's Application.
2. Granting BSPC's Application expeditiously will encourage parties to use the mediation process to resolve their differences where possible in the future.

Conversely, delaying action on BSPC's Application after the parties have successfully mediated their differences or imposing additional restrictions or conditions on the resolution to which the parties have agreed will have an unfortunate and chilling affect on the willingness of parties to participate in voluntary mediation in the future.

3. In order to facilitate expedited review of BSPC's Application, BSPC is filing the verified testimony of Robert L. Kirkland. This testimony and exhibits attached thereto demonstrate that the relief requested in the Application is warranted. Mr. Kirkland's testimony shows that:

The payphone marketplace in South Carolina is highly competitive;

Since 2001, BSPC has been providing the public in general and location providers in particular with notice of its intent to exit the marketplace;

BSPC is working to make a location provider's transition from BSPC to another payphone service provider a smooth one, and BSPC will continue to do so until all of its payphones have been removed by late in the first quarter of 2004;

BSPC's exit from the marketplace will not affect the ability of any payphone service provider to continue to purchase payphone access lines from BellSouth Telecommunications, Inc. ("BellSouth" or "BST"), other local exchange companies, or competitive local exchange companies;

The Federal Communications Commission ("FCC") has made it clear that a payphone service provider like BSPC is free to exit the marketplace if it chooses to do so, and it has adopted regulations requiring states to remove any "regulations applicable to payphones and payphone service providers that impose market entry or exit requirements.";

This Commission has consistently complied with these FCC rulings by allowing payphone service providers to enter and exit the marketplace without restrictions or conditions;

The Alabama Public Service Commission recently entered an Order granting BSPC's request to divest its assets and cease its operations in Alabama.

4. Given that no party is contesting BSPC's Application, BSPC requests that the Commission conduct its hearing in this docket on the basis of Mr. Kirkland's uncontested and verified testimony and that the Commission approve BSPC's Application as quickly as possible.

Upon consideration of the Motion for Expedited Review, the Commission finds good cause to grant the Motion for Expedited Review. No party contests BSPC's Application or the Motion for Expedited Review. Therefore, the Commission will examine BSPC's Application on an expedited basis, by considering the merits of BSPC's Application in the context of a Commission meeting with court reporter present.

5. BSPC's Application states that BSPC is a corporation formed and existing under the laws of the State of Georgia, and it is a wholly-owned subsidiary of BellSouth Telecommunications, Inc. BSPC provides certain payphone services throughout South Carolina pursuant to Certificates the Commission granted or approved in Order No. 97-65 in Docket No. 85-150-C and in Order No. 97-268 in Docket No. 97-47-C. BSPC intends to completely exit the payphone businesses and to cease providing payphone services in the State of South Carolina (or in any other state), by late in the fourth quarter of 2003 or early in the first quarter of 2004. In preparation for its exit from the market, BSPC intends to divest itself of its assets. After BSPC has ceased providing payphone services in South Carolina, BSPC plans to seek withdrawal of the Certificates the Commission granted or approved in Order No. 97-65 in Docket 85-150-C and in Order No. 97-268 in Docket 97-47-C.

6. In the verified testimony of Mr. Kirkland, Mr. Kirkland explains that BSPC came into existence following the FCC's ruling that incumbent local exchange companies were free to provide payphone services using structurally separate affiliates if they chose to do so. Under the FCC's ruling, if a Bell Operating Company ("BOC") decided to provide payphone services through a structurally separate affiliate, the FCC specified the assets were to be transferred from the BOC to the separate affiliate, and the FCC further specified the accounting treatment to be accorded those transferred assets. BellSouth decided to provide payphone service through a separate affiliate, named BSPC, in compliance with the requirements set forth by the FCC. In 1977 this Commission entered an Order stating that BellSouth's "Application to transfer its South Carolina payphone assets to BSPC...is hereby approved." ("Order Approving Asset Transfer," Order No. 97-311 in Docket No. 97-46-C, (April 15, 1997)). The Commission also entered an Order granting BSPC's request for certification to "sell, vend, and install coin or coinless telephones in South Carolina..." ("Order Granting Certification," Order No. 97-65 in Docket No. 85-150-C, (January 23, 1997)). The Commission also entered an Order granting BSPC a Certificate of Public Convenience and Necessity "to provide collect-only call capability for inmate and operator services (local and intraLATA) to confinement facilities in South Carolina, using automated company owned telephones and alternate operator service to the general public through Company owned payphones on a local and intraLATA basis." ("Order Approving Certificate," Order No. 97-268, Docket No. 97-47-C, (April 1, 1997)).

According to Mr. Kirkland, the payphone marketplace in South Carolina is highly competitive, and BSPC is only one of many payphone service providers competing in that market. Mr. Kirkland states that BSPC is exiting the marketplace as a result of continuing declines in payphone usage. Increasing numbers of payphone users are choosing other alternatives such as wireless communications and personal communications devices in lieu of payphone services. Mr. Kirkland states that BSPC's exit from the payphone marketplace will allow BellSouth to sharpen its focus and direct its resources on its core broadband, Internet and digital network offerings, as well as domestic and international lines of business for wireless, data, and voice services.

Mr. Kirkland states that BSPC intends to completely exit the payphone business in South Carolina by late in the first quarter of 2004. According to Mr. Kirkland, BST has been informing the public of its intent to exit the marketplace since February, 2001, and BST has distributed various press releases that have resulted in newspaper articles within South Carolina addressing BSPC's intent to exit the market. Further, BSPC has notified location owners of its intent to exit the marketplace on several occasions beginning as early as February, 2001, and most recently during the first two weeks of December, 2003. Further, BSPC is working to make location providers' transition from BSPC to another payphone service provider a smooth transition. According to Mr. Kirkland, a group within BSPC is working with other payphone service providers that have been selected by location providers in order to make the transition from BSPC to the new provider a smooth one. This group offers the new provider the option of purchasing the existing BSPC equipment at a discounted rate and the option of transferring the existing line and

telephone number to the new provider. This internal group also works with the new provider to coordinate the disconnection of BSPC's equipment with the connection of the new provider's equipment in an attempt to provide continuity of service for the location provider. Since February of 2001, when BSPC first announced its plans to exit the payphone market, BSPC has transitioned thousands of payphone stations to other payphone service providers in South Carolina. Further, Mr. Kirkland stated that BSPC will continue to work with other payphone service providers in South Carolina in this manner until all BSPC payphones have been removed. Mr. Kirkland stated that BSPC's exit from the competitive payphone marketplace will not affect the ability of any payphone service provider to continue purchasing payphone access lines from BST, other LECs, or CLECS.

Upon consideration of this matter and the record before the Commission consisting of BSPC's Application, the Motion for Expedited Review, and the verified testimony of witness Kirkland, the Commission finds just cause to grant the Application of BSPC to exit the payphone market in South Carolina and to divest itself of its assets. Accordingly, the Commission hereby grants the Application of BSPC to divest itself of its assets.

IT IS THEREFORE ORDERED:

1. BSPC's Motion for Expedited Review is granted.
2. BSPC's Application for Commission approval to divest itself of its assets is granted.

3. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

/s/
Randy Mitchell, Chairman

ATTEST:

/s/
G. O'Neal Hamilton, Vice Chairman

(SEAL)